

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

April 24, 2006

5:30 PM

Chairman Pinard called the meeting to order.

The Clerk called the roll.

Present: Aldermen Pinard, Thibault, DeVries and Long
Alderman Lopez

Absent: Alderman Smith

Messrs.: Tom Arnold, Kevin Clougherty, Mike Farren, Sharon Wickens

Chairman Pinard addressed item 3 of the agenda:

3. Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements (unaudited) for the nine months ended March 31, 2006 for FY2006.

Mr. Kevin Clougherty, Finance Officer, stated I might just give an overview of the financials that might be helpful. If you could just turn to the first, second, third, fourth and fifth pages on page number one is the budget to actual expenditures in the General Fund by department and the first column is entitled FY2006 Modified Budget and the first number is \$70,000...everybody got that? If you consider that this report is for the period ended March 31Ms. Tautkus what Guy is saying in the report is that everybody should have about 25% of their budget left and if you look at that you'll see that most departments are doing very well and are doing better than 25%...there are a few that are under but some of them, for example, Building Maintenance...that's because they encumber all of their contracts in the first month and we've been carrying that right along. So, given that we're on track in terms of the expenditure piece of the plan. If you go down to the second group of numbers you can see that we're even better than 25% and if you go to the very bottom line...the last figure in the right-hand column you'll see that overall our expenditures are 26.8% where they should be around 25%, so that's about \$2 million to the good right now. A big piece of that is our Contingency amount where we've got \$542,000 in there. I just want to make the point that I made Saturday...I know that there's some discussion by the Board and the Finance

Committee to perhaps use some of this year's money to help buy some equipment and I'm not opposed to that as I said on Saturday. I would only ask that the Committee wait on their judgment to do that to make sure that we get through May and if we don't have some type of a fire or something that draws down on that amount because remember Contingency this year in the budget that Alderman Lopez and Mayor Baines worked on we increased the amount of Contingency so that we would have money in there to help some of the departments with their severance dollars or their retirement dollars that they didn't have that and over the course of the year we've had the Economic Development Office come in and ask for about \$30,000, I think Human Resources has asked for about \$30,000 or \$40,000...we've had different departments coming in. It looks like we're going to have the capability to do what you want to do. I would just ask that you be patient till the end of May so that we're sure that we're not going to cause spending problems this year.

Alderman Long stated, Kevin, my understanding in Finance Committee is we voted for \$206,000 out of this and that goes to the full Board and you're asking that we wait until...

Mr. Clougherty stated table it at the full Board and pass it later on in May once we know these numbers are live...what I would hate to see happen is have you go out, spend the money and then we have some run on Contingency during the month of May for whatever reason by one of the departments...there's some unexpected emergency that Contingency has to be used for and we don't have the money to take care of the departments that need it for this year and we get ourselves into problems...gut feeling is that you're going to be able to accomplish what you want...I'm just asking that you be patient in doing it.

Alderman Long stated so historically \$542,000 at the end of March...you think this \$206,000 will be doable in May.

Mr. Clougherty replied I do, Alderman. But, again what we're going to have to do in the next couple of weeks here...next month is contact every department and say how are you on your salary lines and benefit lines and are you going to be coming in...if Fire says yes I'm going to come in and ask for \$100,000 in the '06 budget for salary we may not be able to turn around and give them all the vests for Police we may have to cut that number back. I think we're going to be able to do all of it but I can't guarantee that right now until we get through May, so I just ask you to be patient and give us that extra month...that's typically how we've done it in the past.

Alderman Long asked does this number already include what was already deducted...I believe the Economic Development Office was fifty something thousand I think.

Mr. Clougherty stated it doesn't and the reason it doesn't is because if you recall Economic Development I think their request was for \$33,000...they're not going to need anywhere near \$33,000 because if you look at their budget they're doing okay. So, some of these requests, I think, by the departments are...I'm not saying that they're not necessary, they're not prudent but when another month goes by and you look at what they may not need is \$33,000...they may need \$23,000 or they may need \$13,000 and that's what's going to free up the capacity.

Alderman DeVries stated Kevin I would ask you on the City Retirement line going a little bit above the 25%-30% encumbered and that line item and I realize once again the same principles...very early but I'm wondering if we would be able to prepare an ordinance I guess should at the end of the year that extra dollars left in that account we can pay towards that \$1.4 million.

Mr. Clougherty stated we've already talked to the Mayor about that...we still feel that the \$1.4 million is maybe not booked the right way but we can take care of it and be done with it. So, I think that's another area where we can monitor and see where we end up in terms of payments because again what we budgeted in that amount is based on the forecast that we made way back of the rate...there's been turnovers, there's been delays so the amount that we appropriated is actually more so we'd like to do that too...that's a good idea.

Alderman DeVries stated so I can assume that your office is pursuing whatever action the Board will need to take and bring that forward in a timely manner.

Mr. Clougherty stated we will probably bring it at the same time that we're talking about doing these other transfers from Contingency at the latter part of May hopefully.

Alderman Thibault stated if I heard you right Saturday how much money is left in the Contingency account?

Mr. Clougherty replied the amount that's actually been transferred...I think there's about \$520,000 but there are requests that departments have made that we haven't transferred the money because you don't want to transfer \$33,000 to Economic Development if they only need \$13,000 at the end of the year. We have holding piece for the amount of the requests against that but we expect that the amount that we'll actually have to transfer at the end of the year is going to be less.

Chairman Pinard asked Kevin would you like the Committee to table this item till May?

Mr. Clougherty replied no this is just our regular informational report I'm just trying to keep the Board abreast of where we're going during the budget process so that we can keep everything going simultaneously. There's a lot of decisions that the Board will have to make in time and it's just a matter of being patient until you get all of the information so that you don't have to go back to redo some of these items.

On motion of Alderman Thibault, duly seconded by Alderman Long, it was voted to accept the financial statements as presented.

Mr. Clougherty stated with respect to the revenues that's another area where we're constantly monitoring and it's going to be tight this year but we still feel that we're going to make the projection and we'll be providing the Board with better information on the revenues as we're going forward. Again, May is a particularly critical time for us not only to finish this year but to forecast for next year. This period is going to be particularly challenging for us. For the last number of years this City and every other city has been operating in a period of low inflation and we've been able to borrow...it's been the right time to do big borrowing projects and do projects of that nature that's because we could borrow at 4% or less. With the interest rates keeping up, with the actions by the Federal Reserve eventually that's going to change. In our lifetime the average municipal bond is about 6.5%-7%...the interest rate has been on average about 6.5%-7% and we've been 3.5%-4.5%...you can't stay in this environment forever and it looks like this is the year or over the next two years we're going to ratch it up to there so what you're able to buy for \$20 million, you're not going to be able to buy for \$20 million anymore and cash is going to be king so that's why it's important to take your one time revenue account and have that available to be used for economic development because that's going to get you a lot of buying power that you're going to need and when you start looking at the projections forward for revenues a lot of what our revenues are are construction sensitive...the permits at the Building Department...meeting with the Building Department tonight...if rates keep going up people will not do some of the home improvements, they may back off on some of the capital items and if they see a little softening in the revenues...non-property tax revenues for the upcoming year you'll have a much better handle when we come out of that third week in May...that's when you start to see a lot of this activity generating and that will give us a forecast. I think we're going to be okay

for our forecast for this year...be patient through May and as we get better information on the revenues if there's a chance that we can increase the revenues a little bit in the budget process I'm willing to do that but right now I want to make sure we're operating from a solid point.

Chairman Pinard addressed items 4 and 5 of the agenda:

4. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
 - a) department legend;
 - b) open invoice report over 90 days by fund;
 - c) open invoice report all invoices for interdepartmental billings only;
 - d) open invoice report all invoices due from the School Department only;
 - e) listing of invoices submitted to City Solicitor for legal determination; and
 - f) accounts receivable summary.
5. Communication from Sharon Wickens, Financial Analyst II, submitting the 3rd quarter FY2006 write off list for the accounts receivable module.

Alderman DeVries stated I'm on page 2 of item 4(d) and my question would be on item 5385 shows an open invoice and I'm wondering what stops us from somehow applying that...because it's several years old...to a current contract year.

Ms. Wickens stated that I guess I would defer to the Solicitor's office. I don't know if we can justify an old invoice for a contract.

Alderman DeVries stated I understand that...it is more of a contractual question but one I'd like to see researched...is there any conflict for me getting into names.

Deputy City Solicitor Arnold replied probably not at this point. It's been the practice not to use names but we could certainly take a look at that one.

Alderman DeVries stated because there is an on-going business relationship with the City so I'm just wondering why we can't go back and take a look at that open invoice.

Deputy City Solicitor Arnold stated I can do that.

Alderman DeVries stated I didn't mean to stop you from making any presentation you might have had, Sharon.

Ms. Wickens replied I really didn't have any specific comment. I did review the report and I didn't see any big numbers coming on that hadn't already been there. So, I was just going to open it up for questions if there was a particular customer you saw that you wanted something referred or maybe I already know. I do know about most of these but I probably don't have the specifics on every one of them.

Alderman DeVries asked do you have on-going discussions with the Airport Director about the accounts there...is that something we need to bring up at Airport meetings.

Ms. Wickens replied I don't have on-going discussions unless I see that there's something out of the ordinary but Airport is extremely proactive and they are at everyone of these meetings and they get these reports before you so that if you should have a question about any of their accounts they're prepared to talk about them at these meetings.

Alderman DeVries stated I don't want to get into customer names again my questions are more general. It appears after the many discussions about the name change that there are difficulties for airlines today and I would assume that is possibly the reason for some of these that are older.

Mr. Mike Farren, Assistant Airport Director for Finance and Administration, stated many of the airlines and let me preface this. Last year for this Committee I put together a summary sheet on one page that summarizes all of the various pages...we've got 11 pages of stuff here...I would be happy to do that for any other subsequent meeting. I have it in front of me but it's only copy...the airlines...just to talk to the airlines a little bit. As you know we have many that are in Chapter 11 or bankruptcy. If you totaled up all the money that's owed to us in terms of a bankrupt airline it would come close to \$400,000...that's a significant amount of money, we'll get some of it back, a lot of it we will not get back...the name change that Kevin (Dillon) was talking about is designed to spur activity namely with the airlines that serve the west coast, Texas and Oregon and those places and to provide more folks coming here to Manchester for the Boston Regional.

Alderman DeVries stated I'm not looking for any specific detail on the accounts I would appreciate and maybe you could forward a copy of the report...I think the significant piece tonight is that the Airport as an Enterprise...none of these

collectibles affect the tax base or the taxpayers of the City it just was a point that I would like to have to a better degree than what I find within this report and maybe get some feedback.

Mr. Farren stated I would be happy to provide that to you. We get periodically notifications from the bankruptcy courts where they offer to buy our receivables and other agencies offer to buy our receivables at about ten cents on the dollar...that did happen with United and you see in there a United number is now about \$20,619...we'll be coming before the Committee at some point that more definitive action on the other airlines write that off as we did last year on some airline write offs.

Alderman DeVries stated thank you and I appreciate your indulgence as a new member of this Committee what may be background for some of the other members is new information for me.

Mr. Farren stated again I would be happy to provide that one-page summary because it does put a lot of things together. We typically have the largest amount of 90-day receivables in there. For instance, this month's is \$1.4 million but when you combine the airlines and the federal portion of that it's considerably smaller than that. We do track it we have an Assistant Airport Director that works all of these issues directly and we generally get most everything that's due us it just takes a little bit longer than 90 days...the only exception would be the airlines.

Alderman Long stated on page 16 some of these agent control codes are I'm assuming 90 days...like customer ID8268 the first one on page 6.

Ms. Wickens stated I have another report that I submit to you each meeting which is a report of accounts that have gone to the City Solicitor's Office...this is one of the ones that's in the Solicitor's hands because they do get rather old and it takes time to get them through the court proceedings and all of that. This particular one...there's another one on this page 8376 is in the Solicitor's hands...we do try to move them along.

Alderman Long asked are these people still in business do you know or would the Solicitor know?

Ms. Wickens replied I don't know if they are in business any longer, they were when they were submitted but I don't know...they were having problems at the time.

Alderman Long stated if I could also jump forward that you're looking for us to write off on page 15 the 7307...exactly what was this for?

Ms. Wickens replied this was a traffic accident...this was someone who was involved in a traffic accident on South Willow Street...she sneezed, lost control of her car, took out a traffic box and a traffic sign...young person. We did get a motion and a judgment was received in court in 2003 and then we got a motion for periodic payments but we can't find her now and I'm trying to anticipate an audit coming around the corner...anything over three years they kind of give me a hard time if you can't find somebody about keeping them on the books...I wouldn't say this is a lost cause, I have talked with Tom several times over the past couple of months on this particular account...we are still pursuing it but I don't know if we want to keep it on the books because it is so old.

Alderman Long asked are we allowed to do a citizen's search in this state to recoup this?

Ms. Wickens stated Tom I know you were doing that, did you have any luck?

Deputy City Solicitor Arnold replied under certain conditions it's carefully controlled so it's not as easy as it used to be but yes I am in the process of doing it.

Mr. Clougherty stated even though we write it off from a financial standpoint we're not writing it off from a collection standpoint.

Ms. Wickens stated it stays on the system and you'd be surprised the recoveries that we do get. It just sometimes takes so long.

Alderman Long stated on CCS they're the collection agency.

Ms. Wickens replied they are.

Alderman Long asked what percentage, for example, a \$1,000 bill...what do we pay them whether they collect or not or do we pay them if they collect or not?

Ms. Wickens replied we only pay them on the amount of money that they collect and it's 21.75% of the dollar amount that they collect. Also we'll bill that 21.75% above and beyond what they had originally owed us so we can recoup some of our costs and we are very successful in getting that a lot of the time. So, I would say it's 50/50, which is pretty good, but we get that on top of what they owed us.

Alderman Long asked how long have we been using CCS?

Ms. Wickens replied it's got to be at least eight or nine years now...I've been here eight years and we've been using it.

Alderman Long stated you said we're at about 50% of recouping.

Ms. Wickens stated no this is on getting the 21.75%. Now, they get some accounts that are rather small dollars and they're tougher to collect so I wouldn't say that they have a collection rate of 50% I'd say it's closer to 20%-30%.

Alderman DeVries stated if you would just reiterate the process that helps our departments do business with clients who we have had collection activities or accounts written off.

Ms. Wickens stated we do use the HTE system. When somebody's been sent to collections or when they're delinquent I do try to put notes in there so that other people going in would see that oh this person owes Highway or whatnot. I also send reports out monthly and I send everybody's reports to everybody...even though I put their report that they're interested in on top I say here are all the other ones that have people in collection, take a look and see if it's anybody...City Clerk's is really good about catching people as they're coming in to get business licenses or for whatever, they're probably the best department to grab these people as they come through the door. But, a lot of departments don't use HTE to the point where they see the bullets aren't on there so they don't look at it and they're the ones that I have problems with is getting them to catch these people.

Mr. Clougherty stated the Committee will remember that this is something that we've come before you with through Kevin Buckley. The status of where we are on that is we met with Information Systems and we identified all the modules that we thought we needed. We have gone back to every one of the individual departments to get more detailed information some of what I think some of the members asked for defining what the system is and its usage...we got the final responses from the departments on that last week, we're compiling that into a new matrix or new table that we're going to review with Information Systems next week and we will then send that on to HTE now that we've got an idea of what their cost would be so that they can just look at that and say oh yeah this is an easy do or this is kind of what's the low hanging fruit here and get some determination so we would hope that at the next meeting of the Committee on Accounts we'd be able to come in and say here is a plan of what the action steps will be.

Alderman Thibault stated just to bring the new members of this Committee up to date on that we have checked into this quite often in the past and let me tell you what really happens is that most of these people change names...it says JB Construction and the next time it's Bill's Construction and that's why they have a hard time tracking and finding.

Ms. Wickens stated that's a huge problem you're absolutely right.

Alderman Thibault stated I know we've checked into it before and because of that there was a hard time to keep track of where they are and who they are.

Alderman DeVries stated I guess I'm curious also with the Police Department where they're dealing with the same insurance companies with copies of reports. Is that a department that's HTE compliant.

Ms. Wickens replied yes they are and they really have done an okay job catching up, they were real bad a few years back. They had gotten behind...they were such small dollars that they didn't put the effort that they probably needed to put into it, but they cleaned it up and lost a lot of little dollars that were rather old. I have two of them on the write off list. I'm not certain that they didn't pay because the girl who had done it before was so good about writing it off and they were really active about pursuing it. I'm wondering if they just didn't apply the payment to the invoice and there's so little dollars it's all they had out there...these companies were paid up to date...I just think that it may have been a mistake on our part of not applying it right. Am I sure of that, no, but I have a gut feeling that tells me they had been paid.

Mr. Clougherty stated the biggest module we have a concern with at Police is Ordination Violations and how that interfaces and that's a little different but even within that module since Dale has been down there he's done a much better job in terms of getting that cleaned up, so we're making progress on all fronts here.

Chairman Pinard asked when the collector's go out how often do they come back and give you the money they've collected, is that on a monthly basis?

Ms. Wickens replied every month. Every month I get checks in...Fire Department, apply them and look and see what's left to be owed or sometimes we can't take people to Small Claims Court for just finance charges...that is something I think the state is looking to change so I'll have to bring that before you and say this little \$20 piece that's lying out there was a finance charge, so write it off but the collections agency is pretty good at getting...even our finance charges...at getting it all.

Chairman Pinard stated so in your estimation they're doing a good job of collecting what's due us.

Ms. Wickens replied what they have sure because a lot of these people we'll never hear from them again and they do a lot of work.

Alderman Long asked of the modules that are not on HTE do we ever get a report of resources that came in, we never get that report...whether they're outstanding or whether they come in.

Ms. Wickens replied we see it in the revenue.

Alderman Long stated we don't have the breakdown as to whether it's the HTE module or not.

Mr. Clougherty stated eventually we're going to have to make that determination...we'll try and get them on HTE but if for some reason we can't then the next step is how do we get that information to this committee because as Mike mentioned we don't have a more sophisticated revenue base that we're dealing with in the Airport and all of their stuff is coming before you and they can't write off anything, only the Board can write off the Enterprise and the General Fund so it's your responsibility and we have to make sure we close that link somehow and we'll try and do that over the next couple of months.

Alderman Long asked do we have an idea as to what's outstanding out there or are there...historically.

Ms. Wickens replied we could request a report from them and then they would put something together but just to know we would have to call them and find out we would never just know, we don't have access to their systems so we can't look at it. We can only see what's collected.

Alderman Long asked if in their own system can they print out a collectible?

Mr. Clougherty replied some maybe and that's the purpose of the exercise we're going through to see. If they can interface then they're going to have to get more sophisticated so they can do it on that side. For example, Mike at the Airport has very sophisticated accounts that's not HTE and interfaces with us just so that they can do that. We're okay with that...what we're not okay with is just not interfacing and not getting the information to the Board and to investors. We'll tell you what the cash is but we can't tell you the details.

Alderman Long stated it would seem irresponsible on our part to allow this to continue...we're not getting a true picture and that's our responsibility.

Mr. Clougherty stated that's right. So, hopefully we'll make progress here in a couple of fronts in the next month or so.

On motion of Alderman DeVries, duly seconded by Alderman Thibault, it was voted to accept the various financial reports as presented as item 4.

On motion of Alderman Long, duly seconded by Alderman DeVries, it was voted to approve the FY2006 write off list for the accounts receivable module as presented as item 5.

Alderman Lopez stated I have three brief questions. One you've already covered asked if the amounts that the departments have requested we sent to you for shortage for the 2006 budget, do you have that number?

Mr. Clougherty replied you're talking about for Contingency...we have the number of what the department's are that have asked. For example, Economic Development asked for \$33,000...we don't think it's going to be that high. I think the Human Resources Director came in at the last meeting and requested some money, so those we know about...what we don't know about are the other departments that might have something out there and haven't come forward and that's why I was mentioning to you last night we're going to be sending something out this week and asking them where are you. If you look at the expenditures to date they should be okay.

Alderman Lopez stated okay I just wanted to follow-up on that and you're going to get that information to us anyway. The other thing is I heard you mention the million dollars from the Special Reserve account and you said that could be used for economic development, let the Committee know that I have a request in for the City Solicitor to rule on that. If the City Solicitor rules in favor of taking the million dollars that you can take a million dollars out of there for economic development then let the Committee be aware that economic development also includes Hands Across the Merrimack, economic development also includes technology for Information Systems (new equipment) because that's what the new equipment is for parking...

Mr. Clougherty interjected not exactly.

Alderman Lopez stated well you can't have it both ways.

Mr. Clougherty stated I agree and again you're talking about capital items...have to read the definition under GAAP, under Generally Accepted Accounting Principles and there is a difference...one is PC's where the other is an ATM, it's a more sophisticated expensive piece of equipment, but you're right, I don't disagree with you.

Alderman Lopez stated okay fine I know you don't disagree with me. I was wondering about one other item...the Summary of Notes and Loans Outstanding what are we doing about that or is it just paperwork we look at?

Mr. Clougherty stated no. I'm glad you brought that up. We've submitted a draft to the Committee and to the Board to take a look at that...we're taking all of that information and putting it into a module in HTE that we set up exclusively for that to monitor the loans, again we're trying to go back to the departments and verify that we've got everything and that we've got everything right and we will be giving you as part of our quarterly report when we give you you're quarterly financials and your quarterly Treasurer's Report you'll be getting that report quarterly unless you want it sooner. If you want to get it on a monthly basis then we can do that too.

Alderman Lopez stated I was wondering...Sharon does the different reports on the budget and everything else and the accounts receivable and the items that she sends to the Solicitor's, etc. is there any one person in your department that's going to track these and report to the Committee on Accounts?

Mr. Clougherty replied right now Maureen Cail.

Ms. Wickens replied Maureen Cail has been given that assignment to get it up and running...it may not stay with her but I see no problem with bringing this to the Committee on a monthly basis in the same type of format that I do the receivables only do another loan report...whether it be me that presents it or whoever...that shouldn't be a problem at all.

Mr. Clougherty stated once it's up...the hard part is constructing it originally and that's what we're going through now.

Alderman Lopez stated the reason I bring that up is because sometimes we go through a budget process and we get all of these great ideas and then we wait until next year's budget process and get all this paperwork again and nothing happens in between so I don't want to get lost in the shuffle that if we're losing revenue someplace along the line or something is suppose to kick in then the Committee on Accounts should know about it.

Alderman DeVries stated that would have been on the contract compliance piece and that did concern us because that was a note on our external audit that I believe has been dropped because it was a repeated, very minor note made to us so it's not something that is in our face every year with the external audit. The last conversation I had you were looking at software in order to help bring that into your department, have you accomplished the purchase of the software?

Mr. Clougherty replied that is what we're looking at is this module in HTE to be able to track the contracts and as they're approve they'll be loaded. The question becomes then no so much the software as the process...constitutes a contract and how are you going to make sure that procedurally we get all the contracts and that you see all of the contracts going through. So, I think another month...we're making headway on a lot of points here but in another month or two we should be able to have those reports coming out regularly and then we're going to have to talk about process.

There being no further business to come before the Committee, on motion of Alderman Thibault, duly seconded by Alderman DeVries, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee